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# **China**

***QIUSHI [SEEKING TRUTH]***

No 14, 16 July 1989

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### Consistently Uphold the Four Cardinal Principles

HK1508133189 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 14, 16 Jul 89 pp 2-6

[Article by Yan Sheng 0917 2573]

[Text] In the speech he delivered at his meeting with Beijing martial law enforcement cadres at or above the army level, Comrade Deng Xiaoping penetratingly laid bare the causes and substance of the counterrevolutionary rebellion, pointing out, "In substance, this incident is a confrontation between bourgeois liberalization and the four upholds."

Since mid-April, taking advantage of the student movement, a very small number of people with ulterior motives have brought about turmoil and masterminded a counterrevolutionary rebellion. Their ultimate purpose in doing this is to fundamentally negate the leadership of the Communist Party and the socialist system, and to establish a completely westernized bourgeois republic. The reforms, the four modernizations, and the future of the party, the country, and the nation are all dependent on the outcome of our struggle against these people.

#### I

This serious struggle is a continuation and the epitome of the longstanding struggle between people upholding the four cardinal principles and those who are against them. At the end of 1978, at the 3d Plenary Session of the 11th CPC Central Committee, the party made the important decision to focus party work on socialist modernization and worked out the principle of carrying out reforms and opening the country to the world. Thereafter, the history of the country entered a new developmental stage. Following this, a bourgeois liberal ideological trend emerged. A very small number of people, who bitterly hate socialism, took the opportunity made available by the party's rectification of "leftist" mistakes, to provoke turmoil. The "Xidan Wall" in Beijing and the "Democracy Forum" in Shanghai wantonly advocated bourgeois "democracy," "liberty," "equality," and "human rights." In addition, such illegal organizations as the "Spring of China" and "Defrost Society [jie dong she 6043 0408 4357]" came into existence. Some people tried to defame the proletarian dictatorship, calling it the "source of all evils," and demanded that "the Communist Party be thoroughly criticized." In some parts of the country, a few people staged sit-ins and hunger strikes, held up traffic, and rushed party and government offices. Some of them even sold military intelligence to foreigners, made contact with enemy spy organizations, and masterminded sabotage activities. That was a critical moment. At a meeting held in March 1979 to discuss ideological guidelines for the party's theoretical work, Comrade Deng Xiaoping, apart from continuing to criticize the "leftist" mistakes, emphatically criticized the ideological trends from the right in society and within the party which question and oppose the four cardinal principles. Furthermore, he also reiterated the fundamental principles which the Party has always adhered to

regarding the running of the Party and the country, pointing out: "In order to achieve the four modernizations we must keep to the socialist road, uphold the dictatorship of the proletariat, uphold the leadership of the Communist Party, and uphold Marxism-Leninism and Mao Zedong Thought." "No Party member and, needless to say, no Party ideological or theoretical worker, must ever waver in the slightest on this basic stand. To undermine any of the four cardinal principles is to undermine the whole cause of socialism in China and the whole cause of modernization."

In 1982, the idea of upholding the four cardinal principles was formally written into the new party constitution passed at the 12th CPC National Congress and the new constitution adopted by the 5th Session of the 5th National People's Congress [NPC]. Adherence to the four cardinal principles has since become the common political basis upon which the Party and the people of all nationalities in the country march forward as one.

In 1983, the theoretical, literature, and art circles were in a seriously chaotic state and, in particular, were beset with the problem of spiritual pollution. Some theorists eagerly discussed the so-called value of man and alienation. They were interested not in criticizing capitalism, but in criticizing socialism. Some of them advocated abstract democracy and liberty, and even went so far as to maintain that people should be free to publicize counterrevolutionary views. Others suggested that whether this society is a socialist society, whether we should practice socialism, and whether our party is a proletarian political party, still remain open questions. Some writers and artists were indifferent to the party's slogan that literature and art should serve the people and socialism, and were indifferent to the socialist orientation of literature and art. However, they were interested in describing the dark and gloomy side of things, and in inventing things to distort the history and reality of the revolution. Many of them even tried to make money from things that are vulgar both in substance and in form. Some got mixed up with artists, publishers, and cultural relics experts and became ruthless merchants. In the field of external cultural exchanges, some people indiscriminately and blindly worshipped all kinds of Western ideas and theories without bothering to analyze them. As a result, vast quantities of those books, motion pictures, music, dances, videotapes, recordings which even people in the West think of as vulgar and harmful were introduced into the country, and the problem of the corrosion of young people by moribund Western bourgeois culture assumed intolerable proportions.

At the 2d Plenary Session of the 12th CPC Central Committee in October 1983, Comrade Deng Xiaoping told the whole party that people on the ideological front must not encourage spiritual pollution. He sharply pointed out: "In substance, spiritual pollution is the dissemination of the moribund ideas of the bourgeoisie and other exploiting classes and the propagation of the distrust of socialism, the communist cause, and the

leadership of the Communist Party." "Spiritual pollution is very harmful and can bring calamity upon the country and the people." "If we do not promptly pay attention and do not adopt resolute measures to curb it, but let it spread unchecked, more and more people will go astray and the consequences could be very serious. From a long-term point of view, this matter is related to the question of what kind of people will succeed to our cause and may have an effect on the future of the party and the state."

Various departments in the ideological and cultural domains, in line with the principles specified in the constitution and the party and the government's correct policies, did much to resist and oppose spiritual pollution, thus checking the spread of spiritual pollution by a very small number of people; and, in accordance with the law, banned obscene books and journals. However, their struggle met with resistance and could not go on. The fact the society is at present overwhelmed by ugly phenomena simply reminds us of that the campaign against spiritual pollution was both necessary and correct.

We oppose bourgeois liberalization, but we do not oppose liberty or liberalism in general. Our opposition to bourgeois liberation has a special political meaning behind it. In 1981, at a forum held by the CPC Central Committee on problems concerning the ideological front, Comrade Deng Xiaoping clearly pointed out: "The keystone of bourgeois liberation is opposition to party leadership; but without party leadership there will be no socialist system." In 1986, a very small number of people, taking advantage of the CPC Central Committee's advocating of political structural reforms, championed bourgeois liberalization more energetically than ever before. Fang Lizhi and a few other leading exponents of bourgeois liberalization criticized the party, saying that "it has done few good things over the past 30 years," and advocated "a change in the party's color." They slanderously said that to establish a socialist system in China is "to try to transcend history" and is "nothing but utterly wishful thinking" and that over the past 30 years, "the socialist system has been a failure." They talked about the need to "make up for the missed class on capitalism," the need for "wholesale Westernization," and the need to introduce into the country "science, technology, culture, politics, ideologies, ethics, and what not from the West." They even said that "China should import a premier from abroad." In addition, under the pretext of asking for democracy, they put forward the view that "no one should be afraid of anyone" and provoked a very small number of students to rush party and government offices. In addition, a few saboteurs who bitterly hate socialism had managed to enter institutions of higher learning, where they committed sabotage. Studies, work, production, and normal life in some parts of the country and in certain units were thus seriously affected. In January 1987, the CPC Central Committee adopted resolute measures and expelled several leading exponents of bourgeois liberalization from the party. The NPC Standing Committee made a

"Decision on Strengthening Education in the Legal System and Upholding Stability and Unity," pointing out: "For some time, the ideological trend of bourgeois liberalization has been growing and spreading, representing a negation of the four cardinal principles. This is a violation of the constitution and at variance with the people's fundamental interests and common will. Therefore, we must resolutely oppose it." And the CPC Central Committee issued the "Circular on Several Problems Concerning the Present Opposition of Bourgeois Liberalization," defining the nature, significance, focal points, and scope of the struggle, the relevant policies, and methods. Party and government organizations at all levels have resolutely implemented the relevant regulations formulated by the NPC Standing Committee and the CPC Central Committee, and have done much ideological and political work. In addition, the political and legal departments have, in accordance with the law, punished the criminals involved in sabotaging activities at the institutions of higher learning. All this has effectively contributed to stabilizing the overall situation and to upholding political stability and unity. There are now still a few people advocating the negation of this struggle and demanding that the exponents of bourgeois liberalization be rehabilitated. All this tells us precisely that all of them have similar ideas and stands.

## II

In substance, bourgeois liberalization means the negation of the socialist system and represents a case for the capitalist road. The constitution says: "The socialist system is the basic system of the People's Republic of China. Sabotage of the socialist system by any organization or individual is prohibited." That China must take the socialist road, but not the capitalist road, is a historical inevitability. The replacement of feudalism by capitalism represents great progress in the history of mankind. Unlike the feudal system, the capitalist system has indeed greatly stimulated the development of productive forces and social progress. However, step by step, imperialist aggression turned China into a colony and semicolon, and made it impossible for China to develop, as various Western countries have, from feudalism toward capitalism. The Tai Ping Heavenly Kingdom's "New Treatise on Government [zi zheng xin pian 6327 2398 2450 4638]," the reformists' "reform movement," and Dr Sun Yat-sen's proposal for the establishment of a bourgeois republic, all called for efforts to learn from Western capitalism, and all of them ended in failure. Dr Sun Yat-sen spent 40 years of his life serving a revolutionary cause and was repeatedly frustrated. He did not realize until very late in his life that "China cannot achieve anything in its revolution if it does not learn from Russia." He therefore implemented three important policies, namely "the policy of entering into an alliance with Russia, the policy of entering into an alliance with the communists, and the policy of fostering agriculture and industry." Combining Marxism with China's concrete practical experience, the Communist Party analyzed the nature of Chinese society, its

revolutionary mission, and the forces behind it; formulated a thoroughgoing theory of new democratic revolution and a program for it; and led the people to remove the three mountains weighing on their backs, which were imperialism, feudalism, and bureaucrat-capitalism; they scored a victory in the new democratic revolution, and went on to take the socialist road. Only socialism can save China. This is the unshakable historical conclusion the Chinese people have arrived at in the 70 years since the May 4th Movement.

In the 40 years since the founding of the country, China has made progress in construction that was not even dreamed of in the old society over the last few centuries, or even in the past few millennia. We have established an industrial system with a full range of industries and a modern national economic system. Between 1950 and 1987, the average annual growth rate of the country's gross industrial output value was 13.2 percent, compared with Japan's 10.2 percent, the Soviet Union's 8.2 percent, Italy's 5.6 percent, the Federal Republic of Germany's 5.5 percent, France's 4.4 percent, the United States' 3.9 percent, Canada's 3.9 percent, and the United Kingdom's 2.4 percent. In addition, China's industrial growth was faster than that of these eight nations. The output of the major industrial products grew by several times or even up to tens of times. In 1987, China's coal output moved from the world's 9th largest to the world's largest, its output of steel and electricity from 26th place and 25th place to 4th place, its crude oil output from 27th place to 5th place, its cement and cotton yarn output was the world's largest, and so was its grain, meat, and cotton output, and the amount of grain for each person rose from 418 jin in 1949 to over 700 jin. Although the total area of arable land in the country constitutes only 7.2 percent of the total area of arable land in the world, we have been able to basically solve the problem of food and clothing for 25 percent of the population of the world. In addition, it has taken us only 30 years to raise the people's average life expectancy from 40 to about 70 years. These ironclad facts tellingly reveal the superiority of the socialist system and have shatteringly refuted the defamatory remarks that "the country is in a state of destitution and the people live in dire poverty" made by a few people in attacking the socialist system.

There is no need to deny that because the country was a big and yet a poor and backward country and because of its fossilized, rigid systems, the strong points of the socialist system have not been exploited to the full and the country's social productive forces still remain very underdeveloped. Given the country's population of 1.1 billion, its per capita GNP and the amount of major industrial and agricultural products distributed to each person are still far below those of the developed capitalist countries. Therefore, we must hold firm to the basic line adopted by the party for initial stage of socialism, regard the development of social productive forces and a central task for the party and the people,

and, on the basis of the development of production, try to gradually improve the people's material and cultural lives.

To rapidly develop social productive forces, it is necessary to implement, on the premise of upholding the four cardinal principles, the principle of carrying out reforms and opening the country to the world. This is a long-term policy as well as the road we must traverse before we can achieve socialist modernization. The principle of carrying out reforms and opening the country to the world should be implemented in a planned and systematic manner under the leadership of the party and the government. Our purpose in doing this is to perfect the socialist system and give impetus to our socialist modernization. A few people, pretending to be promoting the reforms, oppose the socialist system. What they are doing has nothing in common with our reforms.

Comrade Deng Xiaoping has pointed out that in the course of the economic structural reform, "we have always upheld two principles: first, the principle of the dominant role of the socialist public-owned economy and, second, that of coprosperity." Socialism is aimed at enabling the people to enjoy coprosperity, but not at polarizing them. We permit the development of the individual and private sectors of economy, and the development of Sino-foreign joint ventures and foreign enterprises, so that they can supplement the socialist economy. However, we must uphold the dominant role of socialist public ownership. In China, maybe we can make less than 10 percent of the population rich by restoring private ownership and by taking the capitalist road. However, it is absolutely impossible to make over 90 percent of its population rich by so doing. This can only lead to social unrest. There are a few people trying to defame socialist public ownership by calling it "the soil in which bureaucratism grows," "a hotbed of corruption," and "the cradle of concentration of power and despotism." They demand that we "sound the death knell of public ownership as quickly as possible" and call for the introduction of a capitalist laissez-faire economy. This is completely at variance with the fundamental interests of the people. They can never have their way.

### III

At the core of bourgeois liberalization is opposition to CPC leadership. During the turmoil and the counterrevolutionary rebellion, a very small number of people regarded the party's leadership as the greatest roadblock to their introduction of the capitalist system. Therefore, they tried their best to attack and overthrow it.

The country's constitution unambiguously states that the CPC enjoys a leading position in national political life. The preamble to the constitution clearly points out that the victory of China's new democratic revolution and the successes of its socialist cause have been achieved under the leadership of the CPC. In the future, the people of all nationalities will, under CPC leadership, continue to work for the gradual modernization of the country's

industry, agriculture, national defense, science, and technology, so that the country will become a socialist country with a splendid civilization and a high degree of democracy. Without the Communist Party, there would be no new China. This is a conclusion drawn by history itself. In China, without the leadership of the Communist Party, it would be impossible to keep the people united, our great success in carrying out the reforms and opening the country to the world would not have been achieved, and it would be impossible to achieve socialist modernization. Without the leadership of the Communist Party, there would be no stability and unity, and the country would be divided and in a chaotic state. Fundamentally speaking, without the leadership of the Communist Party, modern China would not have what it has now. The CPC deserves a leading position in the socialist cause and cannot be replaced by any political parties or political forces.

In upholding the leadership of the Communist Party, it is necessary to uphold and persistently develop in practice Marxism-Leninism and Mao Zedong Thought, which are the party's guiding ideologies. Marxism represents the proletariat's world view and methodology, and is a powerful ideological weapon with which we perceive and transform the world. Some of the basic tenets of this scientific world view will never become outdated. For example, the principles regarding the dialectical material relationship between thinking and existence, between mind and matter, between productive forces and production relations, and between the economic base and the superstructure, are universally applicable truths. They have been confirmed, and will be further confirmed, by social practice. Marxism is a developing science. Some of its specific views must be reexamined, modified, or supplemented in practice. Adherence to Marxism is at one with efforts to develop it. What we uphold are the scientific system made up of Marxism-Leninism and Mao Zedong Thought, but not specific conclusions. We should take the position, viewpoints, and methods of Marxism-Leninism and Mao Zedong Thought as our guidance in studying new developments in socialist modernization, the reforms, and the opening of the country to the world, in summing up experience, and in solving new problems, and we should carry them forward. If one does not uphold Marxism, but extravagantly discusses the question of developing Marxism, one will eventually abandon Marxism. A very small number of people slanderously said that "Marxism is outmoded" and threatened to "completely eradicate Mao Zedong Thought." This tellingly shows their ignorance of, and extreme hatred for Marxism-Leninism and Mao Zedong Thought.

To uphold the leadership of the Communist Party, it is necessary to improve the party's leadership in general and its leadership system, its leadership methods, and its leadership style. It is necessary to clearly separate the functions of party organizations from those of the organs of state political power, to smooth out the relationship between party organizations on the one hand and the

people's congresses, governments, judiciary organs, mass organizations, enterprises, institutions, and various social organizations on the other, so that they can each perform their own special duties. In addition, it is also necessary to gradually institutionalize all this. A few people totally negate the party's leadership over state political power, advocate the "abolition of the party branches of various organizations and those of the army, schools, and various units and the dismissal of their political work cadres," and demand that deputies to the NPC and people's congresses at all levels be "elected from among candidates without party affiliations," in order to "prevent the people's congresses from becoming the party's tools." They hate the Communist Party and want to nullify the party's leadership. Really no one can go farther than this.

An urgent and important task confronting the party and the government is to strengthen clean government construction and combat corruption. In addition, it is also an important task concerning party building. Generally speaking, the party is in good condition, our government is a clean government, and most of our party and government cadres work hard to serve the people. However, there are indeed a few people who cannot stand up to tests in the course of the reforms and opening the country to the world. As a result, corruption problems, such as bribery, have arisen. The masses of people, including young students, hate this bitterly and demand that wrongdoers be punished in accordance with the law. This is completely correct. Actually, the party and the government are also grappling with this problem. Over the past few years, to rectify the party style and to strengthen clean government construction, CPC Party Central Committee and the State Council have formulated a series of regulations, adopted a series of measures, and investigated and handled a large number of serious cases. In 1987 and 1988 alone, Beijing Municipality handed 1,178 cases of violation of law and discipline involving party members, and punished 809 party members, of whom 38 were leading cadres at or above the office level. Of course, the problem is still not completely resolved. It is still necessary for us to work very hard. However, one should be able to see that corruption is caused by many things. Of course, there are people who cannot stand up to tests in the course of the reforms and the pursuit of the opening-up policy, and who cannot resist corrosion resulting from the influx of the ideas of the exploiting class. A still more important thing is that because of the coexistence of both the old and new systems and two sets of prices in the process of developing a socialist planned commodity economy, and also because of the imperfect legal and other systems, some people could take advantage of all this to seek personal gains by abusing their powers; and the corruption problem of people trading their authority for money can easily arise. To solve this problem, it is necessary to act with great resolution and decisiveness, to investigate and handle a large number of serious cases in accordance with the law, and to try our best to achieve some effects in a short time. In addition, it is also necessary to

continue to work hard for a long time in spite of hardships and to try to solve this problem by deepening the reforms, by perfecting the legal system and other systems, by strengthening supervision and education, and by improving the quality of party members and cadres. The party and the government are confident that with the support of the people and under their supervision, they can eradicate corruption. However, a very small number of people have deliberately exaggerated things or invented things to defame the party, saying that "it has become corrupt" and that party cadres "are corrupt bureaucrats and millionaires." They have even openly introduced the slogan "down with the corrupt government." Thus, it can be seen that their "opposition to corruption" is just a ruse of a sideshow. Their real intention is to topple the party's leadership and to subvert the people's government. Undoubtedly, their dreams will never come true.

Looking back on the last 10 or so years, we can clearly see that adherence to the four cardinal principles is the foundation of the country and can fundamentally ensure that we can smoothly achieve socialist modernization. The four cardinal principles are diametrically opposite to the bourgeois liberal ideological trends. The very small number of people who view socialism with a hostile attitude have never ceased to oppose the four cardinal principles or to advocate bourgeois liberalization. In other words, they have not given up their reactionary stand. In the course of the reforms and opening the country to the world, bourgeois liberal ideological trends will persist for a long time. We must persistently implement the party's basic line, regard economic construction as our central task, uphold the four cardinal principles, hold firm to the policy of carrying out reforms and opening the country to the world, and resolutely oppose bourgeois liberalization. At present, it is necessary to give a comprehensive and in-depth education to party members, cadres, and the people about the four cardinal principles, to completely put down the counterrevolutionary rebellion, and to uphold the united and stable political situation, in order to ensure that the reforms, the pursuit of the opening-up policy, and socialism modernization will go smoothly.

(The author is from an organ under the Beijing Municipal Party Committee)

### **The People's Army Is the Loyal Defender of the Public Interest**

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[Article by the Political Department and Propaganda Department of the Beijing Military Region; published in FBIS-CHI-89-156, 15 August 1989]

### **Uphold Democratic Centralism, Safeguard the Party's Solidarity and Unity**

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[Article by Li Zhengting 2621 2973 0080]

[Text] The recently concluded 4th Plenary Session of the 13th CPC Central Committee was a very important meeting in the history of the development of our party. The plenary session made a proper settlement of the serious mistakes committed by comrade Zhao Ziyang in the antiparty and antisocialism riots. To scrutinize the wound after the pain has subsided, and to draw a lesson from a bitter experience, I think there is a particularly realistic significance here in reiterating the principle of democratic centralism.

Democratic centralism is a fundamental organizational principle for a Marxist political party and one of the threads running through the history of CPC development is the struggle between upholding and opposing this principle. Most of the setbacks and errors in our party history are related to a certain degree—sometimes large, sometimes small—to the damage done to the system of democratic centralism. Whether it was an extreme democratic tendency or patriarchal style it caused enormous losses to the party's undertakings. The CPC is a large ruling party and both history and reality tell us that if collective leadership and democratic centralism are not upheld within the party, the party becomes disorganized—like a patch of loose sand. It can even suffer internal splitting and fail to lead the wide masses in advancing construction and reform. This is a point on which all genuine communists should have a clear understanding.

The CPC now finds itself under the historical conditions of being a ruling party and undergoing reform and opening up. At this historical juncture, upholding democratic centralism within the party acquires a particular significance. The status of the CPC underwent some fundamental changes following the victory of the New Democratic Revolution. On the one hand, the ruling position of some party members and leading cadres has made them arrogant, conceited, and dictatorial. Some even demanded autonomy from the party. On the other hand, the body of the party, its cadres, and its rank-and-file have been subject to the erosive and disintegrative power of corrupt bourgeois lifestyles and thinking. Against these two tendencies we need always stay alert and maintain party centralization and unity. Following the 3rd Plenary Session of the 11th CPC Central Committee, the reform and opening up situation has made greater demands on our upholding democratic centralism. The party constitution passed by the 12th National CPC Congress explicitly laid down that the party practices collective leadership and democratic centralism. The party constitution also highlighted the principles that: "A party member will give his allegiance to his party organization; the minority will obey the

majority; party groups of a lower rank will obey those above them; and all of the various party organizations and the whole body of party members will obey the party national congress and its central committee." Leading party cadres, especially the party's chief responsible comrades, should uphold and defend collective leadership, consciously practice democratic centralism in their day-to-day political affairs in the party, and observe party discipline. These should become the standards by which they judge their everyday speech and action. Party organizations at various levels and the whole body of communist party members should handle problems according to the principle that the party's interests are above everything. They will consciously implement and enforce party lines, policies, and measures, and safeguard the overall situation of reform and construction. They will oppose the separatist tendency which leaves everybody running their respective businesses with individual policies. They will not allow any harm to be done to the party's centralization and unity on any pretext. As a ruling party directing the socialist modernization, we cannot allow any problems in the matter of implementing the democratic centralism system. Problems in this area will, because of the resultant organizational slackness and splitting, mean a downhill slide or reversal of the party's basic political principle. Drawing lessons from the recent riots and counterrevolutionary rebellion we can see that a certain number of people have not acted according to the principle of democratic centralism and have either violated the organizational principle of the minority obeying the majority, or have abused their powers and their party status in stifling the correct opinion of upholding the four cardinal principles. Some of these people resorted to organizational subterfuge—covert opposition under overt obedience—and supported and protected those who actively preached bourgeois liberalization. They thus virtually resisted the correct central decision to oppose bourgeois liberalization. They even publicized divergent opinions within the party and caused serious ideological confusion within and without the party. This enabled bourgeois liberalization to spread across a large area which in turn led to social unrest and turmoil. It will thus be seen that upholding and defending the party's democratic centralism is an important program in vindicating the four cardinal principles, reform, and opening up. It is also a topic that needs to be resolved both in theory and practice.

To implement the principle of democratic centralism, we need to build and perfect various systems relating to political activities. Years of practice teach us that ruling a party—like ruling a country—calls for a set of regulations. As pointed out by comrade Deng Xiaoping: "The various mistakes we made in the past certainly were related to the thinking and style of some leading persons but the organizational and work systems played a more important part in the mistakes. If these two systems are good, even a bad person will find his bad desires blocked. But if they are not good, even a good person will not be able to contribute anything. Worse, the good person may

be led astray by the bad system." Our party has formulated some very good systems and regulations in the process of struggling for Chinese revolution and its reconstruction. Included in these systems and regulations are the organizational principle of "four types of obedience," collective leadership in the party committee system, division of labor with individual responsibility, the instruction and reporting system, the discussion and administrative processes in leading party organs, resorting to voting in deciding important issues, and so on. To continue to improve all these systems under the new historical conditions carries a great and realistic significance in party building and in implementing the "one center and two basic points" summed up at the 13th National CPC Congress. The party constitution and the "Some Rules Regarding Party Political Activities" are vital weapons for all party members and party organizations in upholding and defending the party's democratic centralism and in remaining united against separatist tendencies. Comrades of the whole party, especially the leading cadres at various levels, we must consciously regulate our own words and deeds with the norm set by the party constitution and the "Rules." We must care for and protect the party's solidarity and unity, and firmly struggle against those actions which try to split the party.

The principle of democratic centralism is translated into concrete reality by the practice of collective leadership in party leadership work. The practice of collective leadership organizationally ensures against dictatorships and ensures that the leading organs at various levels can exercise full democracy and collect ideas on a broad basis. Collective leadership democratizes the decision-making processes and enables decisions on important issues to be made in a relatively accurate, all-round, and proper fashion. But in practical life, some leading party bodies and leading cadres have neither paid sufficiently close attention to, nor strictly enforced, collective leadership. Some leading party bodies and cadres work outside the group decisionmaking procedure in deciding important issues on the pretext that they are too busy to follow the rules. Some put themselves above the party organization and muffle all dissenting voices, while others are locked into divergent opinions and stall decisions for long periods, causing losses to the party's undertakings. Some even screen party policies and decisions using their own criteria, enforcing only those they find answer their needs. Those they find unpalatable they perform in a perfunctory manner, passively resist, or even revoke without proper authorization. We can reasonably believe that this is one important reason why, for some time, the party leadership has been weakened and the reason why the party's combat readiness has dropped significantly. In the case of some cadres in responsible positions, their failure to uphold collective leadership and to pay enough attention to the functions of party organization is shown in their choice to rely, in a partial manner, on some minority or even on some individuals when determining important party and state issues. This involves not only the problem of ideology



and understanding but also the vital organizational principle. In fact, such acts do serious damage to democratic centralism. All party organizations at various levels, but especially leading party cadres, must clearly understand that collective leadership is one of the principles of party leadership. From central to local levels a system combining collective leadership and division of labor with individual responsibility must be implemented in a thorough fashion. It is absolutely intolerable that an individual, simply because he enjoys a high party status and wields tremendous powers, can do whatever he likes and in the process break up the party system.

Necessary supervision is needed if democratic centralism, as a principle, is to regulate party political activities and facilitate a real implementation of various specific systems. Comrade Zhao Ziyang made the mistakes of supporting the riots and splitting the party at the very juncture when the survival of the party and the state was at stake. The causes of his mistakes have a profound sociohistorical dimension and can be traced to his personal ideological concepts. But his mistakes also made clear our party's lack of effective supervision on our high-ranking leaders. All this adds up to a truth: That ordinary party members, as well as senior cadres, must be organizationally put under strict supervision and must be put under effective restraints in an institutional way. Without supervision even a person of exceptional quality will be liable to make mistakes.

To ensure thorough implementation of democratic centralism and collective leadership and to prevent a small number of leading cadres from suppressing dissenting voices, creating a patriarchal system, or sabotaging democratic centralism, it is necessary to put the activities of cadres of various ranks under supervision by the masses. Party organizations at various levels must exercise effective supervision over party members, especially leading cadres, on such important issues as political principles and the political stand and direction. The supervision must be made regular and institutional and must be conducted in many ways and through different channels including, among others, supervision of: Party congresses at various levels; standing committees by their elected committee members; party organizations and party members by party special organs; party organizations at different levels and leading cadres themselves; party leading organs and their leading cadres by the rank and file; and so on. Strengthening supervision on various sides will provide a grassroots foundation for a better order in democratic centralism. Over a long period nonparty figures in various circles and the mass of the people have shown much concern for party building and normal party activities. They have made many good suggestions which have enormously promoted, strengthened, and improved party leadership, its relations with the masses, and relations between cadres and the masses. Practice proves that party organizations at various levels and the mass of communist party members, especially leaders of various ranks, can avoid making mistakes, reduce the number of their mistakes or correct them

more easily if, and only if, they regularly listen to people's opinions and requests and consciously accept supervision by the people.

Upholding democratic centralism requires strict discipline. In the past, some comrades viewed breaking democratic centralism as purely a problem of ideology and understanding and one that merely concerned work methods. They did not recognize that breaking the organizational discipline was a problem of fundamental import calling for our serious attention. Party organizations and party members who violate party organizational discipline and damage party unity and solidarity must all be handled in accordance with organizational arrangements and disciplinary measures. All communist party members must have a strong sense of responsibility toward party and people's undertakings and must be ready to wage struggle against acts which run counter to the organizational principle. Right now, all communist party members who have violated party discipline in the riots and counterrevolutionary rebellion must be dealt with severely. Those whose activities were particularly serious must be stripped of party membership. For individual party organizations which have made mistakes there must be organizational handling on a case-by-case basis. The functions of leading party organs and cadres are vital to upholding party democratic centralism and defending party unity and solidarity. In various projects, whether or not the leading organs and cadres of various ranks can consciously, politically, and organizationally conform to the CPC central authorities, exerts a crucial influence on the general situation in a region, area, or battlefield. The meetings for democratic activities within the party must be conducted well. In particular, the two kinds of meetings which cadres above the county-level must attend—grass-roots meetings for general activities and ranking meetings for general activities at their own work units—must also be conducted well. At these meetings criticism and self-criticism must be given full play; ideological struggles must be actively pursued; and truths are to be upheld, even if it is at the expense of personal dignity. In all these ways the aims of clarifying thoughts, resolving problems, and unifying comrades can be fulfilled. Every leading cadre should realize his important duty in maintaining collective leadership and upholding democratic centralism. The higher his office the heavier his duty and the larger his influence. Thus he must all the more subject himself to self-discipline and maintain party solidarity and unity with personal exemplary acts.

Every party committee Standing Committee represents a party leadership nucleus. The success or failure of a party committee's Standing Committee in upholding democratic centralism determines the solidarity of the whole party, its leadership over the mass of the people, and whether our party as a whole can shoulder the historical mission of championing reconstruction and the great task of reform. At Standing Committee meetings every member should make his opinion fully known so that any decisions will be made on a solid democratic basis.

When a Standing Committee deliberates on an issue it should strictly observe the minority-obeying-majority principle. The minority can reserve their own opinion after it is rejected but organizationally they must obey the opinion that has been passed by the Standing Committee so that the standing committee's decision can be rapidly put into effect. The leading members of a party committee have a tremendous responsibility to see that the Standing Committee can properly uphold democratic centralism. The leading members are the core of a party committee's collective leadership. All committee members should actively defend this core and enthusiastically support their work. Leading members should be a sophisticated listeners to different opinion and they will be able to collect opinions in a democratic fashion and make decisions on that basis. Moreover, the leading members are on equal terms with other members at the party committee meeting and cannot put their opinion above that of others.

One of the standards in evaluating a leading group and its performance is whether the group has conducted its business according to party democratic centralism. It is also an important consideration in reshuffling a leading group or promoting cadres. Whether or not the leadership is united, centralized, and unified, directly determines if party activities are normal, if important party and state decisions are correct, and if reform and construction succeed or fail. If leading party bodies and cadres at various levels can set a good example in their efforts to uphold democratic centralism and maintain party solidarity and unity so that a political situation exists whereby there is centralism and democracy, and discipline and freedom, and where there is a centralized will but at the same time individual feelings can remain free, dynamic, and active—if they can attain such an achievement a strong degree of cohesiveness will be formed among the people of the whole country. The people will then be able to overcome every obstacle in their path of advance and realize the heroic target of socialist modernization.

### **How Should We Approach the Nature of This Storm?**

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in Chinese No 14, 16 Jul 89 pp 16-20, 24*

[Article by Zhou Zuochun 0719 0155 2540; published in FBIS-CHI-89-155, 14 August 1989]

### **Further Efforts Should Be Made To Control Swelling Inflation**

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[Article by Yin Shijie 1438 0013 2638 of Xiangtan University]

### **[Text] 1. Distinguishing Features of the Current Swelling Consumption Demand**

First, the consumption demand and the investment demand swell simultaneously and act upon each other.

The investment demand is still swelling now. In 1987 the investment on capital construction by units under ownership by the whole people was 134.3 billion yuan, an increase of 168 percent over 1978. In 1987 the whole society's investment in fixed assets was 346.1 billion yuan, an increase of 20.6 percent over the previous year; in 1988 the investment in fixed assets reached 431.4 billion yuan, up by 18.5 percent over the previous year. The growth in both years far exceeded that of the national income in the same period, which registered an increase of 10.5 percent and 11.4 percent respectively. As far as consumer demand is concerned, in 1988 the money income of urban and rural residents rose by 180 percent over 1983. This represents an average annual growth rate of 22.7 percent, much higher than the growth rate of national income. We can thus see that the consumption demand and the investment demand swell simultaneously. The swelling investment demand has increased consumption demand because, generally speaking, some 30 to 40 percent of the investment in capital construction turns into consumption demand.

Second, the individual consumption and the institutional consumption swell simultaneously.

In recent years, both consumption by individuals and institutional consumption have grown by over 20 percent annually, much higher than the growth rate of national income. The simultaneous expansion of both has acted upon each other. In 1984 the residents' money income increased by 25.3 percent and the money used by urban and rural institutions to purchase consumer goods rose by 13 percent, but the national income grew by only 13.5 percent. After 1985, institutional purchases rose by over 20 percent annually. In 1988, institutional purchases by government organs, social organizations, enterprises, and other institutions reached 66.5 billion yuan, a 1.6-fold increase over 1983. In 1985 the residents' money income rose by 28.1 percent but the national income rose by only 13.1 percent; in 1986 the former rose by 37.7 percent but the latter by only 8 percent; in 1987 the former rose by 19.4 percent but the latter by only 10.5 percent. Particularly because the individuals chiefly spend their money on nonstaple food and high-grade durable consumer goods, and because the institutions chiefly spend their money on such practices as inviting people to dinners and presenting them with gifts and high-grade consumer goods, the shortages of nonstaple food and high-grade durable consumer goods become more acute, resulting in the structural imbalance between consumption demand and the supply of consumer goods.

Third, the overt, semiovert, and covert incomes grow simultaneously but the covert income grows more quickly than overt and semiovert incomes.

Wage income and ordinary bonuses are overt incomes. Excessively high bonuses, bonuses issued in disguise,

and physical income can be regarded as semiovert incomes. Nonlabor incomes, especially some excessively high nonlabor incomes, are covert incomes. The present condition is that semiovert income often grows more quickly than overt income, and covert income grows more quickly than overt or semiovert income. For example, the incomes of some self-employed workers are higher than those of ordinary employees by several dozen times and even more. This reflects the coexistence of low, ordinary, high, and excessively high incomes and the unfair distribution of incomes. The fact that the high and excessively high incomes are mostly spent on consumer goods has increased the demand for food and high-grade consumer goods. This has not only increased the total consumption demand, making it impossible for the total consumption demand to suit the total supply of consumer goods, but also aggravates the contradiction between demand and supply in terms of some consumer goods.

Fourth, the rigidity of consumption integrates with people's short-term conduct.

Consumption has its rigidity. This makes it easier for consumption to go up rather than go down. When the money in people's hands is not used in production and investment, it will certainly be used in individual consumption.

Short-term conduct on the part of enterprises and individuals will inevitably lead to swelling consumption demand. For example, if an enterprise leader pursues a short-term behavior more often than not he will spend the enterprise-retained profit on consumption rather than on reproduction. Some enterprises even spend 80 percent of their retained profits on consumption. Individual consumers also have short-term behavior. Some use their surplus incomes in high consumption rather than in reproduction; some deposit their money with the purpose of making purchases in the future, and few people deposit their money on a long-term basis. Therefore, the integration of consumption rigidity and people's short-term conduct arouses a strong consumption demand and desire. If the force keeping down the consumption demand is very weak, it will inevitably lead to swelling consumption.

## 2. Principal Measures for Administering Swelling Consumption Demand

First, it is necessary to lay a good foundation.

In administering swelling consumption demand, it is necessary to find the cause and lay a good foundation for administration. One of the causes for swelling consumption is swelling investment. This makes it necessary to bring, once and for all, the swelling investment under control and genuinely reduce the scale of investment in capital construction. Over the past few years, extrabudgetary funds have accounted for a large proportion of the swelling investment in our country. In 1988, the extrabudgetary funds reached 227 billion yuan, an increase of 400 percent over 1979. Resolute measures

should be adopted to straighten out and reorganize the extrabudgetary funds, put them under strict control, and turn some of them into budgetary funds.

Another cause for swelling consumption is insufficient effective supply. Increasing effective supply does not in any way mean an increase in the production and supply of consumer goods in general, but an increase in the supply of consumer goods which are urgently needed in the market and are readily marketable. This makes it necessary to readjust production structure and product mix in line with the market demand so that the production structure and the product mix can be suited to the demand pattern.

The excessively narrow consumer market and scale and the excessively concentrated purchasing power also constitute an important cause for swelling consumption demand. Therefore, it is necessary to expand the consumption market and scale and divert the purchasing power in other directions. The ongoing commercialization of housing should not remain stagnant just because we are confronted with some specific problems in the course of implementing it. It is necessary to steadily conduct reform of the urban housing system in light of the new condition in order to absorb and disperse the purchasing power. Moreover, we can also absorb some purchasing power by speeding up the commercialization of labor services, expanding the labor service market, raising the labor service consumption level, expanding the financial market, circulating "financial assets," and buying and selling stocks and bonds.

Establishing a new order of commodity economy and improving market discipline and order so that commodity exchange can be conducted in an open, clear-cut, standardized, and legal manner, as well as conducting education in hard work and thrift and rectifying the general standard of social conduct, also constitute the necessary foundation work.

Second, it is necessary to grasp the central link.

A central issue in solving the question of swelling consumption demand is how to gradually rationalize the distribution and redistribution of national income.

China's main problem in recent years is that the proportion of state finance in the national income has been constantly dropping while the proportion of individual income in the national income has been constantly rising. For example, the proportion of the state's financial revenue in the national income was 31.9 percent in 1979, 26.9 percent in 1985, and 21.3 percent in 1988, which is indeed on the low side. The proportion of individual income in the national income was 49.9 percent in 1979, 62.2 percent in 1985, and 66 percent in 1988, which is indeed on the high side. If the proportion of the state in the distribution of national income is too low, and if the state's financial resources are insufficient, it will be difficult to conduct key construction projects, handle various relationships in good time, achieve a comprehensive balance of the national economy, and

exercise effective macro regulation and control. If the proportion of individual income in the national income is too high, it will inevitably lead to swelling consumption demand. In the 33 years between 1952 and 1985, the proportion of financial revenue in the national income was higher than 30 percent for 25 years. Of this, the highest proportion was in 1959 (39.8 percent) and 1960 (46.9 percent), while in the rest of the years, the proportion was mostly between 32 and 34 percent. The proportion was lower than 30 percent for 8 years. Of this, with the exception of 1980 (28.3 percent), the proportion in the remaining 7 years was mostly between 25 and 26 percent. (*The Statistical Yearbook of China-1986*, p 69.) From these we can see a demarcation line: The proportion of the state finance in the distribution of national income should preferably be between 28 and 30 percent; it should not be lower than 25 percent. If it is lower than this demarcation line, the state will lack a strong capability to exercise macro regulation and control, which is detrimental to the growth of the national economy. Therefore, raising the state's proportion in the distribution of national income is a fundamental measure to eliminate swelling consumption demand.

To raise the state's proportion in the distribution of national income and to reduce the proportion of individuals in the distribution of national income, it is first necessary to apply and reinforce taxation, which serves as an economic lever. The greatest problems in taxation today are as follows: 1) The excessively narrow scope of taxation cannot totally cover the subject and object of taxation; 2) there have been too many tax reductions or exemptions in the past; and 3) the practice of tax evasion is extremely serious, with the taxation paid by self-employed workers generally accounting for only about 20 percent of the tax amount which should have been paid. In view of the aforesaid conditions, it is necessary to separate profits from taxes, expand tax categories, impose new taxes, and readjust tax rates. Incomes outside wages, in particular, should be classified and taxes imposed on them. It is also necessary to institute a system of reporting individual income. With regard to previous tax reductions and exemptions, it is necessary to examine them again and enforce stricter guidelines. A system of material encouragement linked to taxation should be instituted among the taxation units and personnel. The tax-paying units and individuals should improve the account system and enforce a strict accounting and auditing system in order to conduct transactions on an open and bill basis and raise the transparency of the operational and financial conditions.

It is necessary to appropriately use the price lever to readjust the distribution of incomes of various strata. For example, we should reduce various allowances, incorporate them into wages, and strengthen the role of distribution according to work in order to reduce the burden of state finance; the income which enterprises derive from price increases should be turned over to state finances according to a certain proportion.

It is necessary to appropriately use wages, which serve as an economic lever, to readjust the distribution of incomes of various strata. The growth of wages and bonuses should be kept under strict control. We may stipulate the growth of average wages (including the growth of bonuses) according to the price changes at that time and in that place but we should not willfully exceed them.

Third, it is necessary to improve mechanism.

In the operations of commodity economy, some links can easily induce swelling consumption demand. Therefore, we utilize and improve various mechanisms to keep down swelling consumption demand. Within an enterprise, it is necessary to establish a mechanism, which can correctly handle the relationships between accumulation and consumption and between production and livelihood, to combine responsibility, power, and interests, and to rectify short-term conducts. The use of profits retained by enterprises should be stipulated in explicit terms and the profits should be used according to the stipulated proportions. Those who turn the production funds into consumption funds without authorization should be strictly examined and sternly dealt with. The practice of indiscriminately issuing various material objects and allowances should be stopped and the violators should be given economic sanctions. It is necessary to raise the credit rates and control the credits granted to enterprises. The restrictions of soft budget should be overcome so that enterprises can genuinely practice independent accounting and be responsible for profits and losses. Enterprises should compete on an equal basis and fully use the objective law governing the commodity economy to regulate and restrict the interest distribution of enterprises.

It is necessary to raise the interest rates, widen the difference between long-term and short-term deposit rates, encourage residents to practice saving, particularly long-term saving, and overcome short-term conducts in individual consumption. We should encourage self-employed workers to invest and try as far as possible to guide their incomes toward commodity production.

Moreover, it is also necessary to establish a mechanism to restrict institutional consumption. The practice of extravagance and waste in institutional consumption is quite serious. Institutional purchases should be suited to the size of institution and the number of personnel, the amount should be fixed according to the number of staff, and the administrative expenses should be stipulated. It is necessary to stipulate the highest standard which should not be exceeded. Otherwise, the responsibility of the responsible person should be affixed. Judging by the condition over the years, the proportion of institutional consumption in the national income should preferably be around 4 percent. (It never exceeded 4 percent in most of the years before 1976). At most it should not exceed 5 percent of the national income. We should consider and control the growth of institutional consumption according to these numerical limits. The use of

administrative expenses should be stipulated, and funds earmarked for a special purpose should not be diverted to any other purpose; the other incomes of enterprises should neither be diverted to other purposes nor turned into institutional consumption; and so on. In restricting institutional consumption, we should employ not only economic means but also administrative and legal means and put this on a standardized, institutionalized, and legal basis.

Fourth, it is necessary to establish a regulatory and control system.

At present, there is still not a special institution exercising unified planning and management over consumption. There are widespread phenomena of each going its own way, which should be rapidly changed.

First, there should be a unified, authoritative decision-making institution on consumption which, on the basis of conducting investigation and study, makes a policy decision on the major principles on consumption direction. The contents of the policy decision include the growth of consumption funds, the ratio between the society's public consumption and individual consumption, the ratio in distributing the incomes of various strata, the development strategy for consumption and consumer goods, and even the wage and bonus system, the purchasing prices of agricultural and sideline products, price subsidies, and so on. While coordinating the relationships of various material interests, we should work out a consumption plan for the whole society. On the question of consumption, it is necessary to uphold several principles: 1) The growth of the consumption fund should generally not exceed the growth of distributable national income; 2) the growth of institutional purchases must be lower than that of national income; 3) the growth of average wages should be slightly lower than that of national income; 4) the growth of peasants' income should be lower than that of agricultural labor productivity; and 5) the growth of residents' purchasing power must suit the supply of consumer goods. The unified decisionmaking body should decide on major consumption policies which must be implemented by all units. It is impermissible for each unit to go its own way.

Second, it is necessary to set up regulatory and control bodies to exercise management from one level to another. The central authorities and the provincial and city authorities should exercise management over consumption from one level to another and define the authorities and responsibilities of the central and local authorities in managing consumption demands. As far as the central authorities are concerned, the State Planning Committees may take the lead in jointly forming a consumption management body with other units, such as the State Commission for Restructuring the Economic System, the Ministry of Labor, the Ministry of Personnel, and the State Administration for Industry and Commerce. All provinces and cities may also set up corresponding management bodies. They should work out consumption plans for the whole society and for all provinces and cities in order to

strengthen management over consumption. These management bodies should utilize all economic levers to regulate and manage consumption, consumption demands, and the supply of consumer goods. We should apply regulatory and control means at various levels, by various channels, and in various forms to regulate the distribution of national income.

Third, it is necessary to set up a well-organized supervisory body. We should use administrative, legal, and social forces, as well as bring into play the role of accounting, auditing, and banks, to exercise effective supervision over consumption demand. Moreover, it is necessary to establish a whole set of scientific assessment targets and target systems to forecast, plan, assess, and watch over consumption demand.

### **What Is the Goal of the Reform of the Land Management Forms in Rural Areas?**

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in Chinese No 14, 16 Jul 89 pp 25-29*

[Article by Zhang Luxiong 1728 6424 7160]

[Text] The current debate on the objective of rural land management is centered on the following three questions. First, should the land be solely operated by individual peasant households, or jointly operated by peasant households and the collectives? Second, should the land system be based on collective ownership, or privatization? Should land be owned by the state (or the collective) and rented permanently to peasant households? Third, should the grassroots social and regional organizations be purely administrative self-government organizations, or a cooperative and self-government community based on the combination of economic self-government organizations and social self-government organizations? In this article, I would like to express my views on these issues.

#### **1. Can Land Be Completely Managed by Peasant Households?**

Due to their different understanding of the operational status of peasant households, people may set completely different objectives for the reform of the forms of land management. Some comrades who regard peasant households as the sole managers of the land are promoting the idea of the privatization of land (or renting land to peasants households permanently), therefore negating the dual land management by both peasants and the collective, and regional cooperation. My views are different from all this. To me, the long-term objective of agricultural management in our country should be: Household management plus socialized services on the basis of public ownership of land. However, in the next several decades, dual management will be needed by agriculture in China. In other words, peasant households can only be operational bodies. In the meantime, a collective and unified operational body must also be

established. The basic reason for this is that the operational scale of peasant households in our country is too small.

At present, the average cultivated land of each peasant household is 7.65 mu. According to a typical investigation of rural economy and society conducted throughout the country, in 1986 9.2 mu of cultivated land was contracted to each peasant household engaged in farm production, and the cultivated land contracted to 70.6 percent of peasant households was less than 10 mu per household. Compared with various countries in the world, the operational scale of our peasant households might possibly be the smallest. Ours is a country with vast population and limited cultivated land. In addition, a large quantity of our labor force is staying in the rural production field. This situation will not completely change for the next several decades. This is a long-term weakness in the land management of peasant households in our country.

There are other characteristics that are caused by small scale productions.

1) Incomplete links in the production chain. Due to the fact that their operational scale is too small, it is impossible for peasant households to independently complete the links in the production chain, such as irrigation, tractor-plowing, crop protection, and so on. Such operational items must be jointly carried out with neighboring peasant households in terms of crop distribution, variety of crops, the time for planting, and so on.

2) Incomplete accumulated functions. Peasant households are enthusiastic in buying some mobile means of production, and means of production suitable for small-scale production as well. However, they are not interested in making investments in large-scale means of production. According to an investigation of the family livelihood of peasant households conducted by the State Statistics Bureau, from 1981 to 1986 the percentage of peasant households' investments in fixed assets connected with production in their household expenditures was 2.6 percent, 4.1 percent, 4.8 percent, 4 percent, 3.9 percent and 3.1 percent respectively. Although the year-end value of peasant households' fixed assets connected with production had increased, after deducting depreciation the average investment of each peasant household in fixed assets connected with production in 1986 was 1.64 yuan less than 1985. In 1986, the absolute amount of grain production cost of each peasant household was 8.7 percent less than in 1984, and the proportion of grain production dropped by 9.5 percent. Some people believe that the direct reason why peasant households reduce their investment in grain production is that they can only derive lower benefits from planting grain. Apart from this, I believe that we should realize that the operational scale of peasant households in our country is too small. They are unable to use modern means of production like farm machinery, and so on. They cannot even use draft animals. Many peasant households are now using manpower to plow land, or shovels to turn up the soil. With the passage of time, such

factors will become major obstacles to buying fixed means of production connected with farm production. In addition, construction of water conservancy works in our country has been declining. They are outmoded and not well maintained. This has something to do with the too-small scale of agricultural operations. Water conservancy works must be shared by many small households. It is beyond the power of a single household to carry out a water conservancy works project.

3) The tendencies of self-sufficiency, and small but complete mode of production. The majority of peasant households in our country are mainly engaged in grain production. When their production scale is small, they have a stronger desire for self-sufficiency. In 1987, grain production throughout the country had not reached a record high, and the level of our per capita grain consumption was not the highest. According to sample surveys conducted by the State Rural General Investigation Team, the per capita grain storage of 335 kilos in 1987 was at a record high and was 15 percent higher than 1986, and more than 40 percent higher than 1984. We must admit that the reason why peasants are reluctant to sell grain is connected to a great extent with their small operational scale. They want to store their "insurance grain."

4) Severe blindness in the production of peasant households. Small-scale operations have limited peasant households' understanding of the situation of market supply and demand. In the meantime, the information they have gained is, very often, out-of-date. This has aggravated the fluctuation of the market for agricultural products.

5) Little motivation for seeking technical progress. On the one hand, due to small-scale operation, peasant households do not carry out strict economic accounting. It is difficult for them to force the results of technical improvements, which are not particularly obvious. On the other hand, due to low production scale, peasant households are indifferent to some small technical improvements. Therefore there is little incentive for these peasant households to acquire technical improvement.

Facts have proved that household management can benefit agricultural production. However, the defects of small-scale operations must not be neglected. With the expansion of the operational scale of peasant households, and the perfection of a socialized service system, household management might develop in the correct direction. However, in the present stage, dual management of land is still necessary. Peasant households cannot manage land independently. This should become the basis for setting a long-term objective for the reform of the forms of land management.

## **2. Should Land Be Owned Collectively, or Privately, or Be Rented to Peasant Households Permanently?**

The land ownership system and power structure of the ownership system is an important component part of the forms of land management. Our "Constitution," "General Rules for Civil Law," and "Land Management

Law" have stipulated that rural land is owned collectively. However, while discussing the direction of reform, there is no harm in disregarding such restrictions in the interest of examining the issue of land ownership from an angle of the development of agricultural productive forces in our country.

A permanent criterion for examining the land ownership system is the rational use of land. In different times and different social conditions, the criterion for assessing the proper use of land is greatly different.

During the period of natural economy, the best system for the proper use of land was that the ownership, occupation, and use of land were in the hands of peasant households, namely, the land ownership system of small peasants. At least, the rights for occupying and using land were in the hands of peasant households. This was what we call "renting land permanently" to peasant households. These two kinds of land ownership systems enabled laborers to directly link themselves with the means of production. Since land was stably in the hand of laborers, they used the land properly and improved it constantly.

During the period of commodity economy, and the period of modernization in particular, due to the development of industrial and urban economy, a large number of laborers will leave their land and turn to nonagricultural production. The rational use of land is facing two contrasting problems. On the one hand, before some agricultural laborers leave their land, their rights for using the land must be stabilized. On the other hand, after they have turned to nonagricultural production, their land must be concentrated in the hands of those who are still engaged in agricultural production, so that they can expand the scale of their production and enhance their labor productivity. At present, our country is in such a period. Therefore, while selecting our land ownership system, we must establish two criteria aimed at the stabilization of the rights for the use of land and the concentration of land. Although they are mutually contradictory criteria, their objective is the same. Of course, because of the fact that the level of economic development in various localities differs greatly, in different localities different emphases must be placed on the two criteria mentioned above. In developed areas, more emphasis must be given to concentration of land; whereas in backward areas, more emphasis must be placed on stabilizing the rights for the use of land. In whichever area, considering on criterion alone will not do.

In the current discussions, people have mentioned the following forms of land ownership: land privately owned by peasant households; land owned by the state and permanently leased to peasants; land owned by rural collectives and permanently leased to peasants; and land owned by collectives and contracted to peasants. In the above-mentioned four forms of land ownership, the structure of rights can be roughly divided into three types: first, property rights, possession rights, and use rights are all held by peasant households and can be separated from one another if land is privately owned by peasant households; second, property rights are held by

the state or the collective, but possession rights and use rights are held by peasants and can be further separated from one another, if land is owned by the state or the collective and is permanently leased to peasants; third, property rights are held by the collective, while possession rights and use rights are held by specific peasants without being separated from one another, if land is owned by the collective and contracted to peasants.

The first type is private ownership of land by peasant households. This system is most favorable to the development of agricultural production in the era of the natural economy. Today, however, agriculture in our country has basically been freed from the conditions of the natural economy, and is undergoing the changes into a large-scale commodity economy. A large quantity of rural labor force is shifting into nonfarming industries and moving into cities. The concentration of land and large-scale operation in agriculture have become an inevitable trend in agricultural development in our country. Under these circumstances, private ownership of land would only induce peasants to rent out their land or encourage them to engage in other businesses, thus affecting the growth in agricultural production and impeding the concentration of land.

Of course, a certain degree of diversification in the economic activities of the peasantry is favorable to agricultural production. However, some case studies show that in a rural economy, if the sideline income accounts for over 90 percent of the total rural income, the investment and unit output in the farming industry will begin to decline. So diversification cannot be taken as the development orientation of agriculture in China. Land management in our country must be gradually shifted to scale management. In China, however, it is impossible to realize scale management through leasing land, because peasant households are now just managing very small and scattered pieces of land. According to some rural socioeconomic surveys, in 1986, each peasant household was managing an average of nine pieces of contracted land and the average area of each piece of land was only 1.02 mu. If such scattered land is rented out, the total area of land managed by the tenant may be enlarged, but the land will still be scattered. Then, the production will remain on a small scale, and this will limit the enhancement of productivity. Moreover, when land is rented out, the absolute land rent will be included in the costs of the agricultural products, and the prices of the agricultural products will be raised by a large margin.

In the long run, if the land price rises by a large margin, the peasant households will keep their land as their private property under the system of private ownership, and not be willing to transfer their land to others. This will add immeasurable difficulties to agricultural modernization in our country.

The second type is state (or collective) ownership of land which is permanently leased to peasants. In China's history, such a "permanent tenancy system" is characterized by the permanent separation of land ownership from the



possession right. The property right of the landlord is called "land bottom right"; while the possession right of the tenant peasant is called "land surface right." The "land surface right" can be transferred to other people through renting, inheriting, or selling the land. If a peasant rents out his "land surface right," then he may become a sublandlord. Under the permanent tenancy system, when the possession right and the use right over the land are simultaneously held by the tenant peasant, this may enable him to concentrate on managing the land. However, if the possession right and the use right are separated from one another, the situation will only ensure that those who possess the land can gain certain absolute land rent, but the actual user of the land will gain no sense of stability. One of the preconditions for the rational use of land comes from the land user's sense of stability. So the "permanent tenancy system" which allows the possession right to be separated from the use right will not be favorable to the rational use of land.

The "permanent tenancy system" is in essence a type of private ownership of land in disguised form. After the land possessor is engaged in nonfarming industries, he will not easily give up the land. So in contemporary China, the "permanent tenancy system" is not an advisable option.

The third type is collective ownership of land which is contracted to peasant households, and this is in fact the output contract system now being adopted in the countryside. Under the current land contract system, the possession right and the use right over the land are inseparable. That is to say, only those who are actually using the land to plant crops can possess the land, and those who do not cultivate the land will have no right to possess the land. Once a piece of land is contracted by the collective to a peasant household, the latter will always keep cultivating the land; otherwise, the land will have to be returned to the collective.

At present, the output contract system is still short of explicit and perfect legal guarantees. For example, the 15-year land contract term may make people confuse the difference between the contract tenure and the period in which the contract system will be maintained. In fact, the household output contract system should be maintained for a long time, but the tenure of specific contracts can be longer or shorter. In general, the contract tenure should be based on the period of crop rotation. Within the contract tenure, the contractor should enjoy both the possession right and the use right. In principle, he should personally cultivate the contracted land, but if he shifts to a nonfarming industry, the land can also be subcontracted to another peasant household. When a contract is renewed, the same piece of land should still be contracted to the original contractor, while the land which is not cultivated by the original contractor should be retrieved and contracted to another household. Thus, the use of land can be stabilized, and land can also be continuously concentrated as more and more rural labor force is shifted to nonfarming industries. Therefore, in my opinion, maintaining and improving the current

output contract system will lead to the establishment of a land management system that is most favorable to the rational use of land in our country.

### 3. Is It Necessary To Set Up Community Cooperative Organizations?

The community cooperative organizations are derived from former collective economic organizations in agriculture. The public ownership of land in rural communities remains the foundation for the community cooperative organizations. Should there exist community cooperative organizations in the structure of land management? This is an issue concerning whether unified collective management should exist in this structure.

Comrades who do not agree with the existence of community cooperative organizations hold that in a rural village, it is enough if there is a representative office of the township government together with an autonomous administrative organization of the villagers. All kinds of economic activities should be carried out by peasant households on their own, and there is no need for the existence of a community cooperative organization in the economic field. Community cooperation may lead to a new form of mixing up the government with the economic organization. Other comrades hold that "administrative management" should be strengthened in the countryside, because at present, the main task for the community cooperatives is administrative and organizational management. I do not think that these viewpoints tally with the actual conditions in our countryside.

First, community cooperative organizations are the most important organizational resources now in the countryside. This is the characteristic of the present rural society and is an objective reality formed by cooperative farming over more than 30 years. Villages form the grassroots rural communities. A village is not only a residential settlement, but is also a grassroots community organization bearing certain geographical and clanish characteristics left over from the disintegrated bonds of blood in the primitive communities. In the process of human historical development, the rural communities often perform both economic and political functions. The village must not only perform an administrative function in social management, but must also perform an economic function in taking care of the common interests of the villagers. Along the development of industrialization and urbanization, large rural populations will move into cities, and many villages will gradually vanish. However, in the rural areas of our country, agriculture remains the main trade, and the basic characteristics of rural community organizations will remain unchanged.

As a historical vestige of cooperative agriculture, the community organizations in rural villages are also collective economic organizations. This fact gives more prominence to the special characteristic of the rural community organizations which perform both economic and administrative functions. In my opinion, the correct



attitude toward this is to recognize it, utilize it, and transform it in the process of socioeconomic development rather than completely negating it.

Second, we may now turn to view the relationship between the grassroots community cooperative organization and the autonomous organization of the villagers. According to the stipulation of the constitution, the autonomous organization of the villagers is not a power organ, so the issue of separating government from economic institutions does not exist at the village level. At present, in most localities of our country, villagers are all members of the community cooperative in the village. It is not necessary nor possible to completely separate the village autonomous organization from the community cooperative. In the long run, if a peasant returns the land he cultivates to the collective or no longer works in the collective enterprise, then he can quit the community cooperative, but if he still lives in that village, then he will still be a villager. In this case, the capacity of a villager may not coincide with the capacity of a cooperative member. When there are more and more villagers no longer being members of the community cooperative, the villagers' autonomous organization will then be gradually separated from the community cooperative. However, for a fairly long period to come, grassroots community cooperative organizations will inevitably continue to perform certain functions.

Third, we may now turn to view the functions of the community cooperatives. As mentioned above, many links in the production and management of peasant households in our country have to rely on community cooperatives. Then, are these jobs merely management jobs or cooperative production activities? For example, such jobs as irrigation, drainage, tractor-plowing, and crop protection need organizational management of the community cooperative, which has to work out the order of irrigation and lay down the standards for tractor-plowing. However, this is operational management inside a collective economic organization, and is not general administrative management in agriculture. The general administrative management in agriculture can only involve the implementation and inspection of the seed law, the crop protection law, and other laws and regulations. In fact, in order to do a better job in arranging irrigation, drainage, tractor-plowing, and crop protection, the collective still has to possess its own machinery and equipment, and even needs to set up special service organizations to fulfill these tasks. Under these circumstances, the production activities will become unified productive activities of the collective. Farmland capital construction is also the same case. For the purpose of farmland capital construction, the community cooperative will have to assign compulsory jobs to every household and organize the project in a planned way. The achievements of such capital construction projects, namely various irrigation facilities, will be owned by the collective and will become the joint property owned by all households of that collective. So

such activities cannot be regarded as purely administrative management; instead, they are also production activities organized by the collective.

In order to provide good services for peasant households, the collective must possess a certain economic strength and gain a certain income. In view of the present conditions in various localities, the results of charging peasant households certain service fees are not satisfactory enough. A better method is to collectively run some farming or nonfarming enterprises so as to create certain collective financial resources. The autonomous administrative organization in a community will not be able to carry out such purely economic activities.

All this shows that it is hard for a representative office of the township government or the village administrative organization to handle such large quantities of production management activities, and it is also impossible for the agricultural administration to undertake the production projects that an individual peasant household has no ability to fulfill. Therefore, the community cooperative organizations are indispensable.

To sum up, the objective of land management reform in the countryside should be public ownership of land with double-tiered management. This is also the reform objective we raised when adopting the output contract system. It should now be affirmed in the form of legislation as soon as possible, and the double-tiered management system should be gradually established in all parts of the country. At present, about 40 percent of community cooperatives do not have collective business income. This does not indicate that the double-tiered management system cannot materialize, but simply indicates that it will take a long time to cultivate this system. The idea that tries to advance the independence of the peasant households and to realize private ownership of land or negate the double-tiered management system will not help create a situation in which agriculture continues to develop at a high speed, but will just worsen the stagnation and fluctuation of agricultural production.

#### **Commenting on 'Shares Collectively Owned by Enterprise Workers'—in Response to Comrade Lin Ling**

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in Chinese No 14, 16 Jul 89 pp 29-32*

[Feng Baoxing 7458 1405 5281]

[Text] In his article entitled "From the Contract System to the Shareholding System—the Change in the Form of Enterprise Management and the Form of Property Organization," which was published by the 1988 No. 4 issue of QIUSHI, Comrade Lin Ling said that the objective of enterprise reform is to replace all the state-owned enterprises with "new type enterprises under the socialist shareholding system." In such enterprises, apart from the shares of the state, the individual workers, and other enterprises who join the investment, Comrade Lin Ling also designed a kind of "shares collectively owned by

enterprise workers." It represents the viewpoint of a certain school of thought in China's economics circles. In my opinion, the theory of "shares collectively owned by enterprise workers" does not hold water. That is why I have written this article to discuss the matter with Comrade Lin Ling.

How will the "shares collectively owned by enterprise workers" be created? Will they be purchased by the workers with the funds they have collected? No. Comrade Lin Ling said: "The development from the contract system to the shareholding system is not a mere conjecture but a natural course that objectively exists. This is because that the course of expanding the decisionmaking power of enterprises and implementing the contract system has carried within itself the seeds of the shareholding system." But how are the seeds of the "shares collectively owned by enterprise workers" to be carried? Comrade Lin Ling said: "After an enterprise has paid taxes (including product tax, appreciation tax, and income tax) to the state, which is a power organ, and handed in the relevant part of the profits earned by using the state-owned assets (that is, the part of the profits that should be handed in according to contract) to the state, which is the owner, the surplus, now treated as retained profits, should be included in the income of the enterprise and should be owned by the enterprise. Thus, the assets formed by the retained profits should naturally belong to the enterprise. In essence, when they are owned by the enterprises, they are also owned by the workers collectively rather than by any individuals. They cannot be carved up among individuals." Then, the "shares collectively owned by enterprise workers" will emerge on the basis of the "assets formed by retained profits" in the "new type enterprises under the shareholding system." "Their representatives are elected by the workers' representative assembly." First, these expositions of Comrade Lin Ling do not conform to the real situation of the contract system. According to the "Provisional Regulations on the Contracted Management Responsibility System of the Industrial Enterprises Owned by the Whole People" (hereinafter called "Contract Regulations" for short) issued by the State Council in February 1988 after summing up the experiences of the previous years in implementing the contract system, "the base of profits to be handed in is generally determined with reference to the total profits turned over to the state in the previous year (the enterprises in the second stage of substituting taxes for delivery of profits refer to those that have paid income tax and regulatory tax according to the law)." It is thus obvious that contract is made before paying the income tax. The system of contract after tax payment referred to by Comrade Lin Ling, or the so-called "separation of tax and profits and contract after tax payment," was only adopted by some enterprises in one or two cities on an experimental basis. It is not a common practice. Moreover, there are great differences on the appraisal of their experiences. Second, the "retained profits" of the contract enterprises are in essence the profits offered by the state. They should undoubtedly belong to the state. At present, the financial

department is regarding the profits returned to the enterprises as an investment. In the technological transformation and extension of some large and medium enterprises, the profits offered by the state are in correspondence to the sum needed by the enterprises to invest in their fixed assets. Therefore, these enterprises should not only hand in their profits according to contract but also ensure the fulfillment of their tasks of technological transformation and expanding production. That is why the "Contract Regulations" stipulated: "The profits retained during the contract period and the fixed assets formed by such retained profits as well as the additional circulating funds are the funds of enterprises... The funds of the enterprises are owned by the whole people." Third, even if the system of "separation of tax and profits and contract after tax payment" is adopted, can the profits retained by the enterprises and the assets thus formed be "collectively owned by enterprise workers?" No. This is because the prerequisite for determining the social attribute of enterprise assets is the ownership of the enterprise. If an enterprise is owned by the whole people, the profits it has retained and the assets thus formed should naturally be owned by the whole people. Only when the enterprise is owned by the collective can they be "collectively owned by enterprise workers." However, what Comrade Lin Ling referred to were enterprises under the ownership by the whole people. Obviously, the argument that "what is owned by the enterprise is in essence collectively owned by enterprise workers" does not hold water. A basic principle of Marxism on reproduction is: Reproduction does not only mean the reproduction of materials but also the reproduction of production relations. The assets of the enterprises under the ownership by the whole people created in the course of reproduction can only be owned by the whole people rather than collectively owned by enterprise workers. Fourth, the profits retained by the enterprises under the ownership by the whole people are not totally created by the enterprise workers. In the past decades since the founding of the state, due to the distorted price system, some profits of the processing enterprises were created by the workers in the enterprises producing raw materials and then realized in the processing enterprises. In future, when the price system is rationalized and an average profit rate is formed in the whole society, the transfer of profits among enterprises will "normally" exist. In the relationship between industry and agriculture, due to the existence of price scissors, a considerably large part of the assets and profits of industrial enterprises were created by the peasants. To sum up, the assets of the enterprises under the ownership by the whole people can only be owned by the whole people rather than "collectively owned by enterprise workers." To turn the assets originally owned by the whole people into assets "collectively owned by enterprise workers" is actually an act of turning the state ownership into the ownership by small groups of people.

Comrade Lin Ling designed a pattern of enterprises under the shareholding system with pluralized assets,

which includes the "shares collectively owned by enterprise workers." One of his basic starting points was to solve the problem of the state-owned enterprises "taking profits only without assuming the responsibility for losses." For a considerably long time, the economics circles have repeatedly discussed this problem. However, since they have discussed the problem from different angles and their viewpoints have different intensive meanings, it is necessary to make a careful analysis of this problem. In my opinion, this problem can be viewed from the following two angles: First, the angle of the owner. Second, the angle of the managers and producers. Judging from an angle of the owner, it should take the profits and assume the responsibility for losses as well. This is natural either under the condition of the private ownership or under the public ownership. The proprietary rights over the assets of the enterprises owned by the whole people are exercised by the socialist state. When there are profits, the assets will increase, and the property of the state will also increase. When there are losses, the property of the state will also be reduced. All this will be kept in the accounts of the state assets management departments. In this sense, the state assumes the responsibilities for both profits and losses of the state-owned enterprises is an objectively existing fact. Judging from an angle of managers and producers, they must assume the responsibilities for profits and losses. When there are profits, the managers will be awarded and promoted and the wages and bonuses of the producers will be increased. When there are losses, the managers will be punished and the wages and bonuses of the producers will be reduced. When the enterprise goes bankrupt, the managers will be dismissed and the producers will have to wait for other jobs. This is the system of assuming responsibilities for profits and losses adopted by many enterprises now. Does this mean that there is not the problem of the state taking the profits only without assuming the responsibility for losses? Of course not. In our economic life, the following phenomenon did exist in the past and is existing at present: When a state-owned enterprise suffers losses, it is usually allowed to reduce or remit certain taxes. When it cannot repay its debts, it can default of bank loans and rely on state subsidies. It thus becomes a "bottomless pit" that can never be filled. However, its managers and producers can get their wages as usual. The managers can also be transferred to other posts without assuming any responsibilities. In this sense, and in this sense alone, it can be said that there does exist the problem of state enterprises taking profits only without assuming responsibilities for losses. However, it is a defect of the old structure that is characterized by everybody eating from the same big pot. It has nothing to do with the state ownership. This defect is being overcome in the current reform. In the "Law of the PRC on the Industrial Enterprises under the Ownership by the Whole People" and the "Enterprise Bankruptcy Law," it is clearly stipulated that the state-owned enterprises must assume the responsibility for losses. They also stipulate that the responsibility is limited within the range of "the assets the state has entrusted to the enterprise." The manager,

or legal representative, of the enterprise and leaders of the relevant higher level responsible departments must also assume the responsibility for bankruptcy and be given administrative punishment or investigated and affixed the responsibility for a crime according to the seriousness of their cases. Of course, under the condition of the public ownership, it is a complicated "systematic project" to make the enterprises assume the responsibility for losses and go bankruptcy. The key problem is to provide the workers who have thus become jobless with a basic living guarantee and enable them to get new jobs. If this problem is not solved, disturbances may occur in society. Therefore, while carrying out the bankruptcy law on a trial basis, the state is also trying to establish a system of social guarantee. At the same time, efforts are being made to reorganize major productive elements through the merger among enterprises. Such complicated socio-economic problems can never be solved by establishing a system of "shares collectively owned by enterprise workers."

Another point of departure for "shares collectively owned by enterprise workers," as claimed by Comrade Lin Ling, is that "there is an insurmountable contradiction between the state ownership system (Note: The state ownership system differs from the public ownership system) and commodity economy. Comrade Lin Ling held that the nature of commodity economy determines that all the members of commodity economy should have their own independent assets" whereas the "state-owned enterprises have no proprietary right." Once "shares collectively owned by enterprise workers" are established and developed into the "enterprise ownership system," each and every enterprise will have their independent assets so that the socialist commodity economy will be able to develop. It is known to all that as early as in 1984, the 3d Plenary Session of the 12th CPC Central Committee adopted "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure," which states in no uncertain terms that the separation of ownership right from management right should become the train of thought governing the establishment of commodity economy within the economy owned by the whole people. Moreover, the "PRC Law on Industrial Enterprises Owned by the Whole People," which was adopted by the 7th NPC in February of 1988, also summarized the successful experiences gained in the reform carried out along the above mentioned train of thought, and explicitly stipulates that the contents of enterprise management right are that "enterprises have the right to own, use, and distribute in accordance with the law all the assets the state has authorized them to manage" and that "enterprises can obtain the status of a legal person and should be held civilly responsible for all the assets the state has authorized them to manage." This shows that enterprises have already obtained the "legal person ownership right." Thus, the products exchanged among enterprises have actually become commodities as a result of the actual transfer of "legal person ownership right" in the process. In consequence, enterprises owned by the whole people

have also become real commodity producers in the process. Thus, in their economic intercourse, enterprises treat one another as legal persons and are not concerned about whether such legal persons represent the state-owned assets or the collectively owed assets. The "legal person ownership right" has thereby become the legal basis upon which state-owned enterprises can become commodity producers. The relations of legal person ownership right reflect the relations of ownership system. The management right is turned into the "legal person ownership right" through the relations among various enterprises. This phenomenon manifests a self-perfection of our country's production relations under the system of ownership by the whole people and shows that the socialist commodity economy can be established and developed without changing our country's state-ownership system and that there is no "insurmountable contradiction" between our state ownership system and commodity economy.

According to Comrade Lin Ling's model of joint stock enterprise, "shares collectively owned by enterprise workers" will eventually develop into enterprise ownership system which will replace our country's existing state ownership system. Nevertheless, Comrade Lin Ling stressed: "Although some of these joint stock enterprises will develop into enterprise ownership system, not all of them will." Why? Comrade Lin Ling explained: "As regards the joint stock enterprises in which shares collectively owned by enterprise workers account for the majority or the whole of enterprise shares, if the state attempts to re-exercise its control over such enterprises according to the demands and needs of national economic development, the state will still be able to form new state shares in such enterprises by making more investment in such enterprises." Nonetheless, Comrade Lin Ling went on: "Even when such enterprises develop into enterprise ownership system, they will not give rise to any 'contradiction between socialized big production and system of ownership of production means' in the whole society because enterprises will still remain under the socialist public ownership system and will not be turned into the capitalist private ownership system." In my view, Comrade Lin Ling's view does not hold water.

The development of socialized big production has resulted in a multi-level development of our country's productive forces. Such development is objectively in need of the system of ownership by the whole people, which operates under the new structure under which ownership right is separated from management right. Socialized big production is objectively in need of state planning. This is because only the state, which exercises ownership right on behalf of the whole people, can ensure proportionate relations in socialized big production in a planned way by proceeding from the interests of the whole people. On the other hand, the system of planned ownership by the whole people can only realize itself in the process of economic operation. And only through state planning can the interests of the whole people be properly arranged. One of the fundamental

differences between the socialist commodity economy and the capitalist commodity economy is that the socialist countries can realize the unity between a planned economy and a commodity economy by consciously applying the law of value in the whole society. The reason that the socialist countries can do so is because they represent the whole people and own the means of socialized big production. The ownership of means of socialized big production is the economic condition and material basis for the socialist countries to consciously apply the law of value in the whole society. It is when our state ownership system regulates our national economy in a planned way that our country's existing collective economy, individual economy, and private economy are able to develop in a planned way. The enterprise ownership system differs from the system of ownership by the whole people in that enterprise ownership is merely a combine of enterprise workers in a small scope, which is restricted by their narrow and partial interests and cannot give rise to a big-scale social planning. Therefore, once the enterprise ownership system replaces the state ownership system in the whole society, there is bound to be a "contradiction between the socialized big production and the enterprise ownership system." This is not simply a theoretical assumption, but a fact that has been witnessed in some socialist countries. For instance, after some socialist countries abolished their state ownership systems, various enterprises in those socialist countries carried out their operations according to their narrow and partial interests. As a result, those socialist countries lost control over their investment and consumption. This in turn gave rise to a crisis characterized by an imbalance in national economic development in those socialist countries. This is a lesson we should learn.

It should also be pointed out that the system of collective and public ownership by enterprise workers is an "internally public and externally private" economic composition whose social character is restricted by other dominant social economic compositions. Only when the socialist state ownership system has acquired a dominant position and begun playing a guiding role in the national economy will the economic composition of the collective ownership system, which has economic contacts with and is restricted by the socialist ownership system, be able to maintain its socialist character and become one of the forms of the socialist public ownership system. On the contrary, if the state ownership system disintegrates on a social scale and is replaced by the enterprise ownership system dominated by small groups, at a time when our country's national economic development is still unbalanced, there is bound to be a polarization between various enterprises and various regions of our country, which will in turn destroy our country's unified economic basis.

### **Seriously Study the Philosophical Achievements of Contemporary Well-Known Natural Scientists**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
No 14, 16 Jul 89 pp 33-39*

[Article by Sun Xianyuan 1327 7359 0337; not translated]

**My Humble Opinion on the Characteristics and Role of the Science of History**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
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[Article by Jin Chongji 6855 0394 0644; not translated]

**The Light of Wisdom That Illuminates Enterprises—Talking About Enterprise Culture**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
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[Article by Gao Zhanxiang 7559 0594 4382; not translated]

**Is There Any Water in the Well?**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
No 14, 16 Jul 89 p 45*

[Article by Guan Yusheng 7070 3768 3932; not translated]

**Beginning the Talk With 'Duke Huan, Who Is Fond of Delicacies'**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
No 14, 16 Jul 89 p 46*

[Article by Shang Zheng 0794 2973; not translated]

**Praising Yang Gangmei and Ji Liang—Joyously Viewing the Film *The Republic Will Never Forget***

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
No 14, 16 Jul 89 pp 47-48*

[Article by Gao Kejin 7559 2960 0093; not translated]

**After Awakening From a Dream**

*Beijing QIUSHI [SEEKING TRUTH] in Chinese  
No 14, 16 Jul 89 p 48*

[Article by Ye Zhishan 0673 5267 0810; not translated]